THE PUBLIC SERVICE

GROUP INSURANCE FUND

BENEFITS SUMMARY

AND

AUDITORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED APRIL 30, 2002

THE PUBLIC SERVICE GROUP INSURANCE FUND
BENEFITS SUMMARY
AS AT APRIL 30, 2002

The Public Servants Insurance Act provides for the establishment of the Public Service Group Insurance Fund (PSGIF) which is administered by the Civil Service Superannuation Board. The PSGIF includes three plans to provide life insurance, accidental death and disablement insurance and dependents insurance for eligible employees and retired employees (and their eligible dependents) of the Government of Manitoba and most of its Agencies and Boards.

Each of the three Plans is self-funding. Employee, retired employee and employer contributions along with investment income finance all death and disablement claims and administration costs. On the termination of the Policy, payment would be made by the Province of Manitoba to the extent that reserves are insufficient to cover any Policy deficit.

Each of the three Plans is summarized below:

a) **The Employees' Group Life Insurance Plan** (established May 1, 1960)

Most employees join the Plan at the same time they are enrolled in the Civil Service Superannuation Fund Pension Plan. Employees are automatically covered for life insurance coverage of five times annual salary, but may select a lower multiple. The maximum coverage under the plan is $1,000,000. For employees age 65 or more, insurance reduces in five year intervals based on age until age 73, at which time the employee is insured for $3,000.

Life insurance automatically continues following retirement for eligible retired employees, reducing in five year intervals until age 73, at which time the pensioner is insured for $3,000. As an alternative, retired employees can choose a $3,000 paid-up policy at any time prior to age 73.

Eligible employees who retire or terminate employment due to ill health or injury may apply to continue group life (disability) insurance without making further contributions until age 65, at which time retirement insurance options are available.

b) **The Accidental Death and Disablement Plan** (established July 1, 1974)

An eligible employee who is insured under the Employees' Group Life Insurance Plan is automatically enrolled in the Accidental Death and Disablement Plan. This Plan does not insure retired employees.

The amount of accidental death and disablement insurance is based on the employee's annual salary (maximum of $25,000) and insurance class (to a maximum of class three) under the Employees' Group Life Insurance Plan. An employee's maximum insurance is therefore $75,000.

c) **The Dependents' Group Life Insurance Plan** (established May 1, 1962)

An eligible employee who is insured under the Employees' Group Life Insurance Plan may choose insurance coverage on his/her eligible dependents in the Dependents' Group Life Insurance Plan. The employee elects the amount of insurance by choosing from one unit to four units of insurance. An employee with four units of insurance, whose spouse is under age 70, would have the maximum $60,000 of insurance on his/her spouse and $12,000 of insurance on each child.

Eligible retired employees may choose to continue reduced insurance on their dependents following retirement.

Eligible employees who are granted a disability benefit under the Employees' Group Life Insurance Plan also continue to have dependents' group life (disability) insurance at no cost until age 65, when retirement insurance options are available.

Auditor's Report from the Auditor General of Manitoba, Management Report and Financial Statements

Attached is the Auditor's Report from the Auditor General of Manitoba on the Accounts of the Public Service Group Insurance Fund, the Management Report, Financial Statements and Notes for the year ended April 30, 2002.

MANAGEMENT REPORT

The accompanying financial statements of the Public Service Group Insurance Fund are the responsibility of management and have been prepared in accordance with the accounting policies stated in the notes to the financial statements. Management maintains internal controls to provide reasonable assurance of the reliability and accuracy of the financial information and to safeguard the assets of the Fund. In management's opinion, the financial statements have been properly prepared within reasonable limits of materiality, incorporating management's best judgement regarding all necessary estimates and all other data available up to September 13, 2002.

The firm of Ellement and Ellement Ltd. has been appointed as consulting actuary for the Fund. The role of the actuary is to complete the triennial actuarial valuations of the Fund in accordance with actuarial practice and estimate the obligations for benefits for inclusion in the annual financial statements.

The Auditor General of Manitoba performs an independent audit of the financial statements in accordance with Canadian generally accepted auditing standards. The resulting opinion is set out in the Auditors' Report attached to the financial statements.

Ultimate responsibility for the financial statements rests with the members of the Board. The Board established a Finance and Audit Committee to meet with Board staff and representatives of the Auditor General of Manitoba. It is the responsibility of the Finance and Audit Committee to review the financial statements, ensure that each group has properly discharged its respective responsibilities and make a recommendation to the Board regarding approval of the financial statements. The auditors have full and unrestricted access to the Board and to the Finance and Audit Committee.

The Board has reviewed and approved these financial statements.

On behalf of Management,

Robert H. Covernton
General Manager

Allen Borle
Director, Finance

Office of the Auditor General

500 - 330 Portage Avenue
Winnipeg, Manitoba
CANADA R3C 0C4

AUDITORS' REPORT

To The Legislative Assembly of Manitoba

We have audited the statement of net assets available for benefits of the Public Service Group Insurance Fund as at April 30, 2002 and the statements of changes in net assets available for benefits for the employees' group life insurance plan, the accidental death and disablement plan and the dependents' group life insurance plan for the year then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the net assets available for benefits of the Public Service Group Insurance Fund as at April 30, 2002 and the changes in its net assets available for benefits for the year then ended in accordance with Canadian generally accepted accounting principles.

Office of the Auditor General

Office of the Auditor General

Winnipeg, Manitoba
September 13, 2002

Exhibit A

THE PUBLIC SERVICE GROUP INSURANCE FUND

Statement of Net Assets Available for Benefits

as at April 30, 2002

	2002	2001
ASSETS		
Investments, Schedule 1, Note 2(b)	$ 100,529,933	$ 97,021,819
Accounts receivable	18,032	32,401
Accrued dividends and interest	919,757	902,025
Due from Canada Life Assurance Company	3,895,658	1,003,295
Due from broker	-	401
Total assets	105,363,380	98,959,941
LIABILITIES		
Provision for future claims/liabilities, Schedule 2, Note 4		
Employees' Group Life Insurance Plan	81,124,770	78,682,632
Accidental Death and Disablement Plan	4,459,140	4,281,681
Dependents' Group Life Insurance Plan	2,465,200	2,393,300
Contributions received in advance	151,658	175,943
Accounts payable	22,974	64,861
Total liabilities	88,223,742	85,598,417
NET ASSETS AVAILABLE FOR BENEFITS		
Employees' Group Life Insurance Plan, Exhibit B	13,172,800	10,160,490
Accidental Death and Disablement Plan, Exhibit C	1,706,850	1,451,685
Dependents' Group Life Insurance Plan, Exhibit D	2,259,988	1,749,349
Total net assets available for benefits	$ 17,139,638	$ 13,361,524

Approved on behalf of the Board:

Chairperson of the Board

Chairperson, Finance and Audit Committee

Exhibit B

THE PUBLIC SERVICE GROUP INSURANCE FUND
Employees' Group Life Insurance Plan
Statement of Changes in Net Assets Available for Benefits
for the year ended April 30, 2002

	2002	2001
Increase in assets		
Contributions		
Employees	$ 7,762,059	$ 7,142,943
Employers	2,414,028	2,301,859
Retired members	786,255	743,513
Total contributions	10,962,342	10,188,315
Investment income		
Short term	464,850	975,272
Bonds, debentures and coupons	2,435,753	2,336,653
Equity pooled funds	820,268	703,342
Total investment income	3,720,871	4,015,267
Current period change in fair value of investments	293,019	262,727
Total increase in assets	14,976,232	14,466,309
Decrease in assets		
Death claims, Note 2(f)	8,826,915	10,454,227
Change in actuarial provisions, Schedule 2, Note 2(d)	2,442,138	(392,870)
The Civil Service Superannuation Board		
Administration fee	89,942	96,107
Investment management fee	135,125	143,660
Professional fees	28,746	73,142
Canada Life Assurance Company		
Premium taxes	184,413	217,118
Administrative fees	83,915	78,346
Conversion charges	76,384	86,747
Risk charges	7,150	7,150
Stop loss charges	82,643	77,159
Other	6,551	17,501
Total decrease in assets	11,963,922	10,858,287
Increase in net assets	$ 3,012,310	$ 3,608,022
Net assets at beginning of year	$ 10,160,490	$ 6,552,468
Increase in net assets	3,012,310	3,608,022
Net assets at end of year, Exhibit A	$ 13,172,800	$ 10,160,490

Exhibit C

THE PUBLIC SERVICE GROUP INSURANCE FUND
Accidental Death and Disablement Plan
Statement of Changes in Net Assets Available for Benefits
for the year ended April 30, 2002

	2002	2001
Increase in assets		
Contributions, employers	$ 622,747	$ 601,685
Investment income		
Short term	21,263	52,984
Bonds, debentures and coupons	110,773	98,022
Equity pooled funds	36,763	29,109
Total investment income	168,799	180,115
Current period change in fair value of investments	9,420	7,546
Total increase in assets	800,966	789,346
Decrease in assets		
Death claims, Note 2(f)	338,750	150,000
Change in actuarial provisions, Schedule 2, Note 2(d)	177,459	(300,991)
The Civil Service Superannuation Board		
Administration fee	4,031	3,936
Investment management fee	6,087	5,929
Professional fees	1,201	2,754
Canada Life Assurance Company		
Premium taxes	7,128	3,084
Administrative fees	3,285	3,854
Risk charges	5,850	5,850
Claims charge	1,720	-
Other	290	210
Total decrease (increase) in assets	545,801	(125,374)
Increase in net assets	$ 255,165	$ 914,720
Net assets at beginning of year	$ 1,451,685	$ 536,965
Increase in net assets	255,165	914,720
Net assets at end of year, Exhibit A	$ 1,706,850	$ 1,451,685

Exhibit D

THE PUBLIC SERVICE GROUP INSURANCE FUND
Dependents' Group Life Insurance Plan
Statement of Changes in Net Assets Available for Benefits
for the year ended April 30, 2002

	2002	2001
Increase in assets		
Contributions		
Employees	$ 1,758,681	$ 1,730,661
Retired members	222,736	208,823
Total contributions	1,981,417	1,939,484
Investment income		
Short term	20,357	32,265
Bonds, debentures and coupons	131,665	113,825
Equity pooled funds	43,445	33,665
Total investment income	195,467	179,755
Current period change in fair value of investments	8,608	7,954
Total increase in assets	2,185,492	2,127,193
Decrease in assets		
Death claims, Note 2(f)	1,542,000	2,082,500
Change in actuarial provisions, Schedule 2, Note 2(d)	71,900	(184,401)
The Civil Service Superannuation Board		
Administration fee	4,756	4,554
Investment management fee	7,201	6,860
Professional fees	1,419	3,203
Canada Life Assurance Company		
Premium taxes	31,750	43,136
Administrative fees	11,249	15,539
Conversion charges	2,318	-
Claims charge	1,911	2,128
Other	349	2,781
Total decrease in assets	1,674,853	1,976,300
Increase in net assets	$ 510,639	$ 150,893
Net assets at beginning of year	$ 1,749,349	$ 1,598,456
Increase in net assets	510,639	150,893
Net assets at end of year, Exhibit A	$ 2,259,988	$ 1,749,349

THE PUBLIC SERVICE GROUP INSURANCE FUND
Notes to Financial Statements
for the year ended April 30, 2002

1. Nature of Operations

The Public Servants Insurance Act (the Act) provides for the establishment of the Public Service Group Insurance Fund (the Fund). The Civil Service Superannuation Board is responsible for the administration of the Fund and the group insurance policies agreed to by representatives of the employees and employers participating in the Fund as set out in insurance policies between the Government of the Province of Manitoba and the insurance company. The Fund's operations are reported separately for:

the Employees' Group Life Insurance Plan,
the Accidental Death and Disablement Plan, and
the Dependents' Group Life Insurance Plan.

This separate reporting is consistent with the financial arrangements with the insurance company.

The Fund's fiscal year coincides with the insurance policy year for each Plan.

2. Significant Accounting Policies

(a) Basis of presentation

The financial statements of the Fund are prepared on a going-concern basis as a separate financial reporting entity, in accordance with Canadian generally accepted accounting principles.

(b) Investments

Investments are allocated to each Plan based on monthly unit values, which are based on contributions and withdrawals. Investments are recorded at fair value on a trade date basis. Fair values of investments are determined as follows:

(i) Short term investments are valued at market, which approximates cost.

(ii) Bond pooled fund and bonds, debentures and coupon investments are valued at year end market prices determined by independent sources.

(iii) Equity pooled funds are valued at year end market prices as listed on the appropriate stock exchange.

(c) Foreign currency translation

The fair value of investments denominated in foreign currencies is translated into Canadian dollars at the exchange rate in effect at year end and the resulting change is included in the change in fair value of investments. Revenue and expense transactions are translated at the exchange rates prevailing on the dates of the transactions and are included in investment income at the translated amounts.

(d) Provision for future claims/liabilities

A provision for future claims/liabilities for each Plan has been established using the latest triennial actuarial valuation report of the Fund as at December 31, 2000. This provision has been projected by Ellement and Ellement, consulting actuaries, to April 30, 2002.

(e) Investment income

Investment income is allocated to each Plan based on monthly unit values, which are based on contributions and withdrawals.

2. Significant Accounting Policies (con't)

(f) Death claims

Death claims include current and prior year death and disablement claims reported to the Fund up to July 1, following the year-end.

(g) Expenses

Direct costs are charged to each Plan. The Civil Service Superannuation Board administration fee, investment management fee, and other indirect administration costs are prorated between Plans based on monthly unit values, which are based on contributions and withdrawals.

3. Risk Management

Fair values of investments are exposed to interest rate risk, credit risk and currency risk.

Interest rate risk refers to the impact of interest rate changes on the Fund's cash flows, financial position and income. To limit the exposure to interest rate fluctuation, obtain the best possible return at acceptable risk and maintain the required liquidity, the asset mix is at 53% fixed income and 47% equity as at April 30, 2002.

Term to maturity	2002	2001
Less than one year	$13,385,544	$14,839,875
One to five years	11,111,325	10,757,000
Over five years	28,457,955	27,687,000
Total fixed income investments	$52,954,824	$53,283,875

Credit risk is the risk of loss from the failure of a counterparty to discharge its contractual obligations. The Board limits credit risk by concentrating on high quality securities, established investment ownership limits and acceptable credit ratings. In the case of bonds and debentures, 95% must be rated single A or higher.

Currency risk relates to the possibility that foreign currency-denominated investments will change in value due to future fluctuations in foreign exchange rates. The Fund does, from time to time, hedge some of this exposure. As at April 30, 2002 external fund managers had entered into forward foreign exchange contracts valued at $276,182 (2001-$41,122) on behalf of the Fund.

4. Actuarial Valuations

In accordance with the Act, an actuarial report is required at least once every three years. The last triennial actuarial valuation report on the three plans administered by the Fund was prepared by Ellement and Ellement Ltd., consulting actuaries, as at December 31, 2000.

The actuarial report contemplates that the Fund and each Plan will continue to be in existence and that employees and dependents will continue to participate in these Plans on the completion of eligibility requirements. Significant long-term actuarial assumptions used in determining the provision for future claims/liabilities were:

4. Actuarial Valuations (con't)

Annual rate of return		6.00%
Salary escalation rates:		
(i) general increases		
a)	inflation component	3.00%
b)	productivity component	0.50%
(ii) service, merit and promotional increases		*

* the rates used vary by gender and age grouping from a high of 3.00% to a low of 0%

The valuation indicated the following net assets available for benefits:

	April 30, 2002 valuation projection Exhibit A	December 31, 2000 valuation
Employees' Group Life Insurance Plan	$13,172,800	$11,981,893
Accidental Death & Disablement Plan	$ 1,706,850	$ 1,331,685
Dependents' Group Life Insurance Plan	$ 2,259,988	$ 2,063,407

5. Termination of Policies

Upon termination of the policy in place for the Employees' Group Life Insurance Plan, the Accidental Death and Disablement Plan or the Dependents' Group Life Insurance Plan, the insurer will remit any net policy surplus as a final refund to the Fund for the applicable Plan. If there is a net policy deficit, a payment will be made to the insurer from the appropriate Plan's surplus funds. To the extent that the appropriate Plan's surplus funds are not sufficient to cover any net policy deficit, payment to the insurer will be made by the Minister of Finance.

6. Transfer of Employer Actuarial Surplus

In 1996, the Government of the Province of Manitoba passed an amendment to the Act. The amendment permits a payment of an actuarial surplus in the Fund to be made to the Minister of Finance on behalf of the employers. The payment amount requires the actuary's approval and negotiated agreement between the employer and employees.

7. Status of Fund

The Government of the Province of Manitoba and Canada Customs and Revenue Agency (CCRA) are having discussions concerning the status of the Fund for income tax purposes. The Province's legal counsel is not able to give any opinions with respect to the issues being raised by CCRA until more facts are provided.

8. Comparative Figures

Comparative figures for the year ended April 30, 2001 have been reclassified to conform with the presentation adopted for the current year.

Schedule 1

THE PUBLIC SERVICE GROUP INSURANCE FUND
Summary of Investments
as at April 30, 2002

	2002	2001
Fixed income investments		
Cash and short term		
Government and corporations	$ 13,004,933	$ 14,806,943
Bonds, debentures and coupons		
Pooled fund		
Domestic	39,949,891	-
Government, corporations and mortgage-backed securities	-	38,476,932
Total fixed income investments	52,954,824	53,283,875
Equity investments		
Pooled funds		
Domestic	27,128,846	23,720,947
Foreign	20,446,263	20,016,997
Total equity investments	47,575,109	43,737,944
Investments, Exhibit A	$ 100,529,933	$ 97,021,819

THE PUBLIC SERVICE GROUP INSURANCE FUND
Schedule of Changes in Provision for Future Claims/Liabilities
as at April 30, 2002

	2002	2001
Employees' Group Life Insurance Plan		
Balance beginning of year	$ 78,682,632	$ 79,178,776
Transfer of actuarial surplus payments to employers, Note 6		
Manitoba Public Insurance Corporation	-	(103,274)
	78,682,632	79,075,502
Change in actuarial provisions, Note 2(d)		
Net future claims/liabilities (released)	(1,942,200)	(2,884,200)
Interest accrued	4,470,338	4,431,630
Changes in actuarial reserves	(86,000)	(1,940,300)
Subtotal, Exhibit B	2,442,138	(392,870)
Provision for future claims/liabilities, Exhibit A	$ 81,124,770	$ 78,682,632
Accidental Death and Disablement Plan		
Balance beginning of year	$ 4,281,681	$ 4,704,671
Transfer of actuarial surplus payments to employers, Note 6		
Manitoba Public Insurance Corporation	-	(121,999)
	4,281,681	4,582,672
Change in actuarial provisions, Note 2(d)		
Interest accrued	192,159	208,409
Changes in actuarial reserves	(14,700)	(509,400)
Subtotal, Exhibit C	177,459	(300,991)
Provision for future claims/liabilities, Exhibit A	$ 4,459,140	$ 4,281,681
Dependents' Group Life Insurance Plan		
Balance beginning of year	$ 2,393,300	$ 2,577,701
Change in actuarial provisions, Note 2(d)		
Net future claims/liabilities (released)	(41,200)	(308,201)
Interest accrued	134,700	135,000
Changes in actuarial reserves	(21,600)	(11,200)
Subtotal, Exhibit D	71,900	(184,401)
Provision for future claims/liabilities, Exhibit A	$ 2,465,200	$ 2,393,300